

## **Regulations of the Supervisory Board of Latvenergo AS**

### **1. General provisions**

- 1.1. The Regulations of the Supervisory Board (hereinafter – "Regulations") is the governance document of the Supervisory Board (hereinafter – "Supervisory Board") of Latvenergo AS (hereinafter – "Company") providing for the procedure and principles of the operation of the Supervisory Board, including the procedure of drafting, initiating, approving and registering the decisions adopted by the Supervisory Board pursuant to the Company Articles of Association, Law On Governance of Capital Shares of a Public Person and Capital Companies and Commercial Law.
- 1.2. The Regulations are binding for all the Members of the Supervisory Board as far as it does not contradict the Company Articles of Association and applicable legislation.
- 1.3. The Supervisory Board adopts decisions at the meetings of the Supervisory Board.
- 1.4. Resources required for the operation of the Supervisory Board are provided by the Company.

### **2. Obligations of the Supervisory Board**

- 2.1. The Supervisory Board is the supervising body of the Company representing the interests of the Shareholder between Shareholders' Meetings and constantly supervising the operation of the Management Board of the Company within the framework defined by legislation.
- 2.2. The Supervisory Board adopts decisions in the best interests of the Company and the Shareholder on the basis of comprehensive information, in good faith and as a prudent owner.
- 2.3. When adopting a relevant decision, the Supervisory Board has the obligation to assess all the information provided to it, to assess all the possible risks, alternatives and scenarios without taking unreasonable risk and imposing higher requirements on strategic decisions (for example, by involving consultants).
- 2.4. The Supervisory Board complies with high standards of ethics in its operation.
- 2.5. While performing official duties and implementing his or her authorities, a Member of the Supervisory Board has the obligation to act as a prudent and careful owner in the best interests of the Company and the Shareholder.
- 2.6. While performing official duties and implementing their authorities, the Members of the Supervisory Board comply with the provisions of the Commercial Law in regard to restrictions on the conclusion of transactions with related persons, the non-compete obligation and restrictions set forth in the Law on Prevention of the Conflict of Interest in Activities of Public Officials, as well as provisions of other laws and regulations.
- 2.7. A Member of the Supervisory Board has the obligation to avoid a conflict of interest and not to adopt a decision or to participate in a decision-making process or to carry out other activities related to the performance of the duties of the Member of the Supervisory Board which affect or may affect the private or property interests of the relevant Member of the Supervisory Board, his or her family members or relatives or business partners.
- 2.8. A Member of the Supervisory Board has the obligation to inform the Supervisory Board of potential conflicts of interest by filling in the conflict of interest declaration form and

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- submitting it to the Company. The Members of the Supervisory Board ensure transparency of business contacts with third parties and register them in the Register of Contacts.
- 2.9. The Supervisory Board gives its consent to the conclusion of a transaction if the Company concludes a transaction with a related person within the meaning of the Commercial Law.
  - 2.10. The Members of the Supervisory Board have the obligation to refrain from activities that could create competition for the Company's commercial activities.
  - 2.11. A Member of the Supervisory Board has the obligation to resign from his or her duties if it is not possible to fulfil the loyalty obligation to the Company.
  - 2.12. The Supervisory Board approves the medium-term operational strategy of the Company, the Latvenergo Group's Corporate Governance Policy, the Latvenergo Group's Risk Management Policy, the Latvenergo Group's Code of Ethics, the Latvenergo Group's Remuneration Policy, the Latvenergo Group's Internal Audit Policy and the internal audit plan for the next year.
  - 2.13. The Members of the Supervisory Board shall continuously improve their knowledge and skills in the field of corporate governance, finance management and the core business areas of the Company, as well as in any other matters related to the fulfilment of the duties of the Members of the Supervisory Board.
  - 2.14. The Supervisory Board monitors the functioning of the internal control, risk management and internal audit system, and provides, on an annual basis, an assessment of the operation of the Audit Committee of the Company to the Shareholders' Meeting of the Company. The Supervisory Board includes this assessment in its report to the Shareholders' Meeting of the Company regarding the prepared annual report.
  - 2.15. The Supervisory Board has the obligation to examine the reports of the Audit Committee of the Company, including the reports on:
    - 2.15.1. monitoring the process of the preparation of the annual report and consolidated annual report of the Company, and the proposals to ensure the reliability and objectivity of the annual report and consolidated annual report,
    - 2.15.2. the conclusions drawn by the sworn auditor from the audit (review) of the annual report and consolidated annual report of the Company and the opinion of the Audit Committee on how this audit (review) has contributed to the reliability and objectivity of the annual report and consolidated annual report prepared by the Company as well as the role of the Audit Committee in this process,
    - 2.15.3. the annual report on the operation of the Audit Committee and the fulfilment of the tasks assigned to the Audit Committee,
    - 2.15.4. deficiencies and irregularities (if any) identified in the process of the preparation and audit (review) of the annual report and consolidated annual report of the Company as well as in the efficiency of the internal control, risk management and internal audit system in connection with the quality assurance of these reports,
    - 2.15.5. the efficiency of the functioning of the Company's internal control, risk management and internal audit system.
  - 2.16. The Supervisory Board has the obligation to examine the Company's risk management and internal audit reports and report on the compliance efficiency once a year.
  - 2.17. The Supervisory Board has the obligation to delegate/recommend to the Shareholder at least one Member of the Supervisory Board to work in the Audit Committee.
  - 2.18. The Supervisory Board elects and dismisses the Members of the Company's Management Board, determines their remuneration and monitors the compliance of the

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Company's operations with the laws, the Articles of Association and the decisions of the Shareholders' Meeting.

- 2.19. The Supervisory Board has the obligation to provide information to the Shareholder on significant issues related to the Company's commercial activities (for example, if the financial situation deteriorates).

### **3. Rights of the Supervisory Board**

- 3.1. The Supervisory Board is entitled to request and obtain relevant, accurate and timely information regarding the operation of the Company and its status and the operation of the Management Board.
- 3.2. The Management Board provides quarterly written reports on its operation to the Supervisory Board reflecting the following in the reports:
- 3.2.1. results of the Company economic activity by also providing information on fulfilment of the annual budget, including unaudited quarterly financial statements,
  - 3.2.2. major performance indicators of the capital company and progress in the implementation of the action plan,
  - 3.2.3. other important aspects of the Company operation, including about the market development, changes in the market structure and competition.
- 3.3. The Supervisory Board is entitled to request and to receive the following at any time:
- 3.3.1. the Management Board report on the company status and to familiarise itself with all the operations of the Management Board,
  - 3.3.2. audited annual financial statements as soon as they have been prepared,
  - 3.3.3. the annual draft budget minimum 60 (sixty) days prior to the beginning of the fiscal year, except if the Company has not been able to prepare any of the above documents within the provided term and has issued a timely notification thereof by specifying reasons behind this delay and the envisaged term of submission of documents, as well as the work plan until the beginning of the fiscal year,
  - 3.3.4. access to regular (daily or real-time) information regarding the most important business parameters, to the Company Intranet and other internal communication tools,
  - 3.3.5. other information reasonably requested by the Supervisory Board and at the disposal of the Management Board or prepared specifically for the Supervisory Board. Information is provided in a form allowing attaining the objectives set in the information request,
  - 3.3.6. access to the national and international business information resources at the disposal of the Management Board or necessary for the operation of the Supervisory Board.
- 3.4. The Supervisory Board is entitled to assign any of the Supervisory Board Members for performing the inspection or to involve an expert for clarification of particular matters.
- 3.5. The Supervisory Board is entitled to request the Management Board to convene the Shareholders' Meeting. If the Management Board has not convened the Shareholders' Meeting upon the request by the Supervisory Board within the term defined by legislation, the Supervisory Board is entitled to convene the Shareholders' Meeting.
- 3.6. The Supervisory Board is not entitled to decide on the matters within the competence of the Management Board, however the Management Board needs the consent by the Supervisory Board in deciding the following matters:
- 3.6.1. opening or closing of branches and representative offices,
  - 3.6.2. issuing of such loans, which are not related to the regular commercial activity of the Company,
  - 3.6.3. issue of credits to employees of the Company,

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- 3.6.4. determining of the general principles of commercial activity,
- 3.6.5. any transaction which has a major impact (minimum of 15 per cent and not envisaged by the medium-term operational strategy) on the amount of the assets defined by the medium-term operational strategy of the Company,
- 3.6.6. conclusion of transactions between the Company and a Member of the Management Board or the Auditor,
- 3.6.7. for transactions resulting in spending the monetary funds of the Company exceeding the amount of EUR 2,500,000 (two million five hundred thousand euro) excluding the Value Added Tax, except transactions regarding the following:
  - 3.6.7.1. the assets necessary for operation, maintenance or development of the electricity transmission or distribution system,
  - 3.6.7.2. the services of the energy transmission system, distribution system or storage,
  - 3.6.7.3. construction of energy transmission or distribution connection,
  - 3.6.7.4. energy purchase and the financial services related to purchase and sale of energy (derivative energy financial instruments), as well receipt of regulated utilities and procurement of fuel,
  - 3.6.7.5. purchase of financial instruments,
  - 3.6.7.6. purchase of the European Emission Allowances (EUA) and Certified Emission Reductions (CER),
  - 3.6.7.7. construction works, supplies or services if the goal of the transaction is sale or lease of the contract subject to third parties,
- 3.6.8. lending transactions, except when this transaction is concluded with a merchant whose all shares of stock or voting shares are held by the Company,
- 3.6.9. borrowing transactions for an amount exceeding EUR 25,000,000 (twenty-five million euro),
- 3.6.10. for concluding a transaction which is not concluded within the regular business activities of the Company and the amount of which exceeds EUR 2,500,000 (two million five hundred thousand euro).

### **4. Composition of the Supervisory Board, functions of the Chairman of the Supervisory Board and the Deputy Chairman of the Supervisory Board**

- 4.1. Supervisory Board is composed of five Members of the Supervisory Board.
- 4.2. The Members of the Supervisory Board elect the Chairman of the Supervisory Board and the Deputy Chairman of the Supervisory Board from among themselves.
- 4.3. The Chairman of the Supervisory Board manages the operation of the Supervisory Board in compliance with the legislation of Latvia, the Company Articles of Association, the present Regulations and other binding documents.
- 4.4. The Deputy Chairman of the Supervisory Board chairs meetings of the Supervisory Board in case of absence of the Chairman of the Supervisory Board.

### **5. Secretary of the Supervisory Board and the Secretariat**

- 5.1. The function of the Secretariat of the Supervisory Board (hereinafter – "Secretariat") is performed by the Office of the Management Board of the Company which organises and is responsible for performance of all the obligations of the Secretariat stipulated by the present Regulations.
- 5.2. The Secretariat ensures availability of accurate, relevant and timely information to the Supervisory Board.
- 5.3. The Secretariat is responsible for the following:

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- 5.3.1. preparation of the agenda of meetings of the Supervisory Board and securing the approval thereof by the Chairman of the Supervisory Board,
- 5.3.2. forwarding the agenda approved by the Chairman of the Supervisory Board to the Members of the Supervisory Board within the set terms,
- 5.3.3. supervision of preparation, collection and forwarding of the documents and materials required for review at a meeting of the Supervisory Board to the Members of the Supervisory Board,
- 5.3.4. preparation and registration of the Minutes of the Supervisory Board Meetings and the decisions contained therein. Minutes of Meetings of the Supervisory Board are numbered per chronological sequence anew every calendar year. Decisions may, if necessary, be prepared as separate decisions,
- 5.3.5. attestation of copies and/or extracts of Minutes of the Supervisory Board and issue (sending) thereof to the addressee. Sending of copies and/or extracts of confidential Minutes of the Supervisory Board is done pursuant to the Regulations on protection of Latvenergo AS information,
- 5.3.6. maintaining the register of tasks of the Supervisory Board and control of fulfilment of the tasks,
- 5.3.7. provision of any other required support to the Members of the Supervisory Board
- 5.3.8. maintaining the Register of Contacts.
- 5.4. The Minutes of Meetings of the Supervisory Board are recorded by the Secretary of the Supervisory Board (hereinafter - "Secretary") provided by the Secretariat.
- 5.5. In case of necessity the Secretariat provides translations of documents in English and/or participation of an interpreter at meetings of the Supervisory Board.
- 5.6. The Secretariat ensures storage of the original Minutes of Meetings of the Supervisory Board and materials of preparation of meetings of the Supervisory Board until their delivery to the archive in compliance with the procedure defined by the legislation.
- 5.7. The Secretariat ensures submission of the documents and draft decisions defined by Paragraph 6.2.4 of the Regulations to the Supervisory Board by placing the above documents and draft decisions into the database which is accessible to the Members of the Supervisory Board and which is maintained and serviced by the Company. All the information, except confidential information, related to the meeting of the Supervisory Board (draft decisions of the Supervisory Board, additional information prepared for the meeting of the Supervisory Board, reports and documents), as well as decisions adopted by the Supervisory Board and Minutes are maintained in the database.

## **6. Meetings of the Supervisory Board**

- 6.1. Regularity of meetings of the Supervisory Board
  - 6.1.1. Meetings of the Supervisory Board take place according to the necessity, however, minimum once a quarter.
  - 6.1.2. The Supervisory Board approves on annual basis the schedule of meetings of the Supervisory Board for the current calendar year with the items to be discussed at each scheduled Supervisory Board meeting.
- 6.2. Convening a meeting of the Supervisory Board
  - 6.2.1. Regular meeting of the Supervisory Board take place in compliance with the decision of the Supervisory Board regarding dates of meetings of the Supervisory Board for the current calendar year.
  - 6.2.2. Extraordinary meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board upon a proposal by a Member of the Supervisory Board or the Management Board.

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- 6.2.3. Latest 5 (five) days prior to a regular or an extraordinary meeting of the Supervisory Board the Secretariat sends a notification to all the Members of the Supervisory Board and the Management Board by electronic mail stating the following:
  - 6.2.3.1. the date, time and venue of the meeting of the Supervisory Board,
  - 6.2.3.2. the agenda of the meeting of the Supervisory Board by identifying the items for discussion,
  - 6.2.3.3. persons to be invited to the meeting of the Supervisory Board.
- 6.2.4. Proposed draft decisions and documents required for reviewing the items on the agenda or their copies are prepared and provided to all the Members of the Supervisory Board minimum 5 (five) calendar days in advance to the meeting of the Supervisory Board.
- 6.2.5. If the Chairman of the Supervisory Board does not comply with the proposal regarding convening of the meeting of the Supervisory Board within two weeks from the moment of its receipt, the initiator of convening of the meeting is entitled to convene the meeting of the Supervisory Board by himself/ herself by notifying this in compliance with the provisions of Paragraph 6.2.3 of the Regulations and by explaining the details of the situation.
- 6.3. Agenda of the meeting of the Supervisory Board
  - 6.3.1. The agenda of the meeting of the Supervisory Board is prepared based on the items to be discussed that are included in the schedule of meetings of the Supervisory Board referred to in Paragraph 6.1.2 of the Regulations, the decisions adopted at the preceding meeting of the Supervisory Board regarding the items to be reviewed at the next meeting and proposals by the Members of the Supervisory Board or the Management Board.
  - 6.3.2. Proposals and attached draft decisions, documents and materials are submitted to the Secretariat.
  - 6.3.3. The person submitting a proposal is responsible for the correctness and completeness of the facts and data referred to in submitted materials as well as the compliance of the prepared draft decisions with legislation.
  - 6.3.4. The Secretariat prepares a draft agenda of the meeting of the Supervisory Board and submits it for approval to the Chairman of the Supervisory Board. Upon receipt of the approval by the Chairman of the Supervisory Board, the Secretariat sends the agenda approved by the Chairman of the Supervisory Board to all the Members of the Supervisory Board and the Management Board.
  - 6.3.5. The Chairman of the Supervisory Board presents the proposed agenda to the Members of the Supervisory Board. The Supervisory Board approves the agenda of the relevant meeting upon commencing the meeting of the Supervisory Board.
  - 6.3.6. Any Member of the Supervisory Board is entitled to propose an item to be included on the agenda or any other modifications to the agenda until the relevant meeting of the Supervisory Board or in the beginning of the meeting of the Supervisory Board prior to adopting the decisions on approval of the agenda.
  - 6.3.7. If additional items are included on the agenda, explanatory documents and draft decisions are submitted to the Members of the Supervisory Board until approval of the agenda.
  - 6.3.8. As regards the matters to be discussed by the Supervisory Board which are not identified on the agenda in a sufficient detail or the matters which have not been submitted within the provided terms, no decisions are adopted, except if

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the Supervisory Board unanimously agrees on the necessity to resolve or to vote thereof.

- 6.3.9. Members of the Supervisory Board may agree on suspending a meeting of the Supervisory Board or its continuation without convening a new meeting of the Supervisory Board. Such a suspension may not last for more than 10 (ten) business days.

### 6.4. Venue of the meeting of the Supervisory Board

- 6.4.1. Meetings of the Supervisory Board usually take place at the location of the Management Board of the Company (the registered address of the company), however, upon a proposal by the Chairman of the Supervisory Board or the initiator of convening an extraordinary meeting, meetings of the Supervisory Board may also take place elsewhere.

- 6.4.2. As far as this is allowed by the provisions of legislation, meetings of the Supervisory Board may take place:

6.4.2.1. by physical presence,

6.4.2.2. by using means of telecommunications, or

6.4.2.3. by means of correspondence (electronic mail).

- 6.4.3. If meetings of the Supervisory Board are held by using the means of telecommunication, the procedures of convening and holding meetings are applied in compliance with the procedures of convening and holding meetings with physical presence as far as this is possible.

- 6.4.4. If meetings of the Supervisory Board are held by means of correspondence, documents of the meeting, including proposed draft decisions are submitted to all the Members of the Supervisory Board. The meeting of the Supervisory Board is considered to have taken place if the Members of the Supervisory Board composing the required quorum enabling the Supervisory Board to adopt decisions submit a written opinion regarding proposed decisions within 4 (four) business days following the date of submitting the documents.

- 6.4.5. In the case provided for by Paragraph 6.4.2.3 of the Regulations, only the information system of the Company may be used for adopting the decisions of the Supervisory Board.

### 6.5. Quorum of the meeting of the Supervisory Board and procedure of adopting decisions

- 6.5.1. The Supervisory Board may adopt decisions if more than 50% of the Members of the Supervisory Board participate at the meeting of the Supervisory Board, the quorum is established based on the number of the Members of the Supervisory Board stipulated by the Articles of Association.

- 6.5.2. All the decisions of the Supervisory Board are adopted by simple majority of the votes of the Members of the Supervisory Board present. Each Member of the Supervisory Board has one vote. Voting is open. If votes are split equally the Chairman of the Supervisory Board has the decisive vote.

- 6.5.3. The Supervisory Board adopts decisions in compliance with legislation, the Articles of Association and decisions of the Shareholders' Meeting.

- 6.5.4. Members of the Supervisory Board are entitled to attend a part of the meeting of the Supervisory Board and to leave the meeting of the Supervisory Board at any time. Prior to adopting each decision in compliance with the agenda, the Chairman of the Supervisory Board checks if there is the required quorum at the meeting of the Supervisory Board.

- 6.5.5. A Member of the Supervisory Board who cannot participate at a meeting of the Supervisory Board notifies the Chairman of the Supervisory Board or the Secretariat thereof minimum 1 (one) day prior to the meeting of the Supervisory Board.

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### 6.6. Participants of a meeting of the Supervisory Board

- 6.6.1. Members of the Supervisory Board, the Secretary, Members of the Management Board, the Reporter, if he/ she is not among the above listed persons, and the persons specifically invited by the Supervisory Board participate at meetings of the Supervisory Board.
- 6.6.2. Persons, who are invited to a meeting of the Supervisory Board regarding a specific item, only participate at the meeting during review of the item regarding which they were invited.
- 6.6.3. The Supervisory Board is entitled to hold closed meetings of the Supervisory Board.

### 6.7. Minutes of Meeting of the Supervisory Board

- 6.7.1. The Secretary ensures preparation of the Minutes of Meeting of the Supervisory Board, submission for signing and registration by complying with the following sequence:
  - 6.7.1.1. within 5 (five) business days following the relevant meeting of the Supervisory Board, the Secretary prepares the Minutes of Meeting of the Supervisory Board and electronically forwards it to all the Members of the Supervisory Board and for approval to those Members of the Supervisory Board that attended the respective meeting,
  - 6.7.1.2. Members of the Supervisory Board submit their comments or approval of the received draft Minutes of Meeting to the Secretary within 5 (five) business days following receipt of the Minutes of Meeting,
  - 6.7.1.3. if Members of the Supervisory Board have proposed amendments to the draft Minutes of Meeting, the amended draft Minutes of Meeting are repeatedly electronically sent to Members of the Supervisory Board until approvals by all the Members of the Supervisory Board are received,
  - 6.7.1.4. after Members of the Supervisory Board have electronically approved the Minutes of Meeting, the Secretary ensures that the relevant Minutes of Meeting are signed by the Chairperson of the meeting, the person preparing the Minutes and all the Members of the Supervisory Board who participated in the relevant meeting as soon as possible, however, latest until the next meeting of the Supervisory Board,
  - 6.7.1.5. the Secretary ensures registration of the relevant Minutes and their submission for implementation.
- 6.7.2. Minutes of Meeting of the Supervisory Board contain the following data:
  - 6.7.2.1. the firm of the Company,
  - 6.7.2.2. the venue, date and time of the meeting of the Supervisory Board;
  - 6.7.2.3. the Members of the Supervisory Board and other persons participating at the meeting,
  - 6.7.2.4. the items of the agenda of the meeting of the Supervisory Board,
  - 6.7.2.5. major discussions and individual opinions of Members of the Supervisory Board or invited participants of the meeting if it is requested to include them,
  - 6.7.2.6. the adopted decision on each item,
  - 6.7.2.7. voting results by indicating the vote "in favour" or "against" of each Member of the Supervisory Board regarding each decision.

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- 6.7.3. Audio recordings of the Supervisory Board meetings shall be made for the proper preparation of the minutes of meeting. After signing of the minutes of the meeting of the Supervisory Board, the audio recording of the meeting concerned shall be deleted. The records of the Supervisory Board meetings are available to the Secretary. If necessary, the Secretary shall draw up a transcript on the relevant item on the agenda.
- 6.8. Decisions of the Supervisory Board
  - 6.8.1. Decisions adopted at the meeting of the Supervisory Board are prepared in the form of documented decisions.
  - 6.8.2. Decisions adopted by the Supervisory Board enter into force on the date of their adoption if the Supervisory Board does not set another time and procedure of entering into force. The procedure of preparation and approval of the Minutes does not impact entering into force of adopted decisions.
  - 6.8.3. The Secretariat is responsible for compliant submission of relevant decisions of the Supervisory Board for performance to their addressees.

### **7. Committees of the Supervisory Board**

- 7.1. The Supervisory Board may form committees consisting of the Members of the Supervisory Board for more detail review of particular matters and drafting decisions of the Supervisory Board.
- 7.2. The Supervisory Board defines the composition of the relevant committee, its assignment, term of performance and authority of the committee.
- 7.3. The Supervisory Board may approve the Regulations of the committee.
- 7.4. Conclusions and clarifications of committees have the nature of recommendation.

### **8. Confidentiality provisions**

- 8.1. All the information related to the Company operation which has become known to a Member of the Supervisory Board while performing the official duties of the Member of the Supervisory Board is confidential.
- 8.2. Members of the Supervisory Board may not disclose any confidential information received from the Company to third parties (except the Shareholder).
- 8.3. Public statements on behalf of the Supervisory Board are only issued by the Chairman of the Supervisory Board or another Member of the Supervisory Board assigned thereof by the Chairman of the Supervisory Board or commissioned for this task by the Supervisory Board.

### **9. Communication with the Management Board, the Audit Committee and the Shareholder**

All the official communication between the Supervisory Board and the Management Board, between the Supervisory Board and the Audit Committee or between the Supervisory Board and the Shareholder is ensured via the Chairman of the Supervisory Board or the Secretariat per his assignment.

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